

Report of	Meeting	Date
Director of Finance	Overview and Scrutiny Committee	20th February 2007

## REVENUE BUDGET MONITORING 2006/07 - REPORT 5 (END OF JANUARY 2007)

### PURPOSE OF REPORT

1. This paper sets out the current financial position of the Council as compared against the budgets and efficiency savings targets it set itself for 2006/07 for the General Fund and the Housing Revenue Account.

### CORPORATE PRIORITIES

2. This report does not directly relate to the corporate priorities.

### RISK ISSUES

3. The issue raised and recommendations made in this report involve risk considerations in the following categories:

Strategy	✓	Information	
Reputation	✓	Regulatory/Legal	
Financial	✓	Operational	✓
People		Other	

4. Actions to manage the budget have the potential to impact on all of the above risk categories.

### BACKGROUND

5. The Council's budget for 2006/07 included real cash savings targets of £278,000 from the management of the establishment and a further £60,000 of savings to come from efficiency and procurement related activities.

### CURRENT FORECAST POSITION

6. The appendix 1 shows the summary forecast position for the Council based upon actual spending to the end of January, adjusted for future spending based upon assumptions regarding vacancies and service delivery. No individual service unit figures are attached. These are available for inspection in the Members Room.
7. In my last report I advised on the projected outturn which forecast an overspend of £67,000. I am pleased to report that the forecast position has improved and the current projection is now for an overspend of just £12,000.

8. The latest forecast shows how the position has changed. The significant movements since my last report are shown in the table below, further details are contained in the service unit analysis available in the members room:

**Table 1 – Significant Variations since the last monitoring report**

	<b>£'000</b>
Additional salary savings in forecast	(199)
Severance/Pay in Lieu of Notice	39
Salary costs charged to Capital schemes	31
Planning Fee income	25
Office Accommodation (Office moves)	22
Job Evaluation / Pay Modelling	(20)
Occupational Health	22
Benefits payments	50
Parking Fees income	(24)
Other minor variances	(1)
Net change since October report	(55)

9. Clearly the most significant change being reported here is the additional savings relating to salaries. This is further analysed as £69k from Development & Regeneration, £60k from Streetscene, £32k from Customer & Democratic Services, £17k from Finance, £16k from Policy & Performance and £5k from other areas.
10. The savings from Development & Regeneration are in part as a result of posts being held vacant, pending the outcome of the forthcoming directorate restructure. Savings achieved in the Streetscene, Neighbourhoods & Environment directorate are as a result of a relatively high turnover in staff for both CCTV Operators and Neighbourhood Wardens.
11. Salary savings reported in Development & Regeneration have been reduced as a result of a reduction in activity on capital schemes. It was previously estimated that significantly more time was going to be utilised on capital works than is now thought likely and as a result, the anticipated savings arising from recharges to capital have been reduced by £31k.
12. It should also be noted that salary savings reported in Policy & Performance and Streetscene have been offset by the additional costs of severance pay and pay in lieu of notice. The impact of these payments will reduce savings by £39k.
13. Since the last monitoring report there has been a reduction in the forecast for Planning Application Fees income of £32k, offset by an improvement on Building Control Fees income of £7k. The overall position for planning fees for 2006/07 is a forecast shortfall in income of around £32k. The impact of this is offset however by salary savings achieved within the Development & Regeneration directorate referred to above.
14. As a result of the various office moves, in particular the transfer of directorates from the offices at Gillibrand Street, additional revenue costs of £22k have been incurred.
15. In previous forecasts it was anticipated there would be a further requirement of around £20k for additional staff resources relating to the Job Evaluation and Pay Modelling exercise. Due to a reduction in the cost of consultants and agency fees, this forecast has been revised and costs should now remain in line with budget provisions.
16. The forecast cost for Occupational Health has increased by £22k. This is as a result of £13k from increased contract costs with Bolton MBC for providing the occupational health service, together with £9k for the cost of employee therapies.

17. Following on from previous reports in which I have advised of the volatility of the housing benefits budget and the potential to impact on the revenue outturn, I feel it is prudent at this stage to increase the forecasted overspend by a further £50k.
18. There are some steps that can be taken to reduce this level of overspend including reviewing the level of the provision for bad debts on overpayments. This review will be conducted at the end of the financial year and will take into account the success of our recovery procedures in ensuring overpayments are repaid to the council.
19. The forecast deficit of £16k previously reported for Parking Fees income has now been reversed with the outturn figure expected to be around £8k higher than budgeted. The increase in income of £24k equates to a 1% increase in volume.

## HOUSING REVENUE ACCOUNT

### BACKGROUND

20. The forecast for the HRA at the end of 2005/06 was for balances to be at £534k, however the actual outturn position resulted in a higher than expected contribution to balances taking them to £592k at the end of 2005/06.

### CURRENT POSITION

21. In the last report balances were forecast to be in the region of £973k at the end of the year. This consisted of:

	£'000
Balance brought forward at 1/04/06	592
Budgeted surplus 2006/07	75
Changes in the year	<u>306</u>
Predicted balance at 31/03/07	<u>973</u>

It is now predicted that changes in the year will fall to £232k resulting in balances of £899k at the year-end.

22. There are two prominent reasons for this. The first is that the provision for the DSO deficit has been increased by £70k (to £120k). This deficit, which the DSO incurs in carrying out responsive maintenance and capitalised repairs to Council dwellings, has only occurred over the last 3 years, growing from £22k in 2004/05, to £113k last year, and the projected £120k this year. The reasons include the impact of reduction in turnover (which has reduced the organisation's ability to absorb its fixed overheads), productivity, and its price increases relative to its cost increases. If the DSO were staying within the Council a full analysis would be required to restore what has become a recurrent problem.
23. To minimise the deficit, steps have been taken to curtail the use of contractors, and capital works will be concentrated on (thus possibly creating an underspend on revenue repairs which will offset this cost). Increased monitoring of income has also been implemented.
24. The second reason is that a cost of £49k for the administration of the Right To Buy has been introduced. It had previously been assumed that this cost would be charged against the capital receipts from the Right To Buy, however the reduction in the number of council house sales has forced a reappraisal. However, various savings totalling £45k have offset these extra costs.

## SUMMARY

25. The overall Corporate Savings Target of £338k from management of the establishment and efficiency savings has now been achieved. Further savings may be possible as the year progresses and more vacancies occur.
26. The position with the General Fund continues to improve with the current forecast for net expenditure to be an overspend of £12k. With two months still remaining the directorate accountants will continue to monitor the outturn and report regularly to service heads on how actual expenditure is progressing when compared to the current forecast.

## **RECOMMENDATIONS**

27. Executive Cabinet are asked to:
  - a) Note the contents of the report.

## **REASONS FOR RECOMMENDATIONS (If the recommendations are accepted)**

28. To ensure the Council's budgetary targets are achieved.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

29. None

GARY HALL  
DIRECTOR OF FINANCE

There are no background papers to this report.

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# General Fund Revenue Budget Monitoring 2006/07

# APPENDIX 1

Forecast Outturn as at January 2007

	(1) Original Budget £	(2) Agreed Changes £	(3) Original Cash Budget £	(4) Contribution to Corp. Savings (Staffing) £	(4) Contribution to Corp. Savings (Other) £	(5) Current Cash Budget £	(6) Forecast Outturn £	(7) Variance £	(8) Variance %
<b>Chief Executive's Office</b>	966,090	46,310	1,012,400	(102,120)	(1,370)	908,910	907,910	(1,000)	-0.11%
<b>Customer, Democratic &amp; Legal Services</b>	2,105,500	11,110	2,116,610	(740)	(5,000)	2,110,870	2,125,870	15,000	0.71%
<b>Development &amp; Regeneration</b>	890,980	(25,530)	865,450	(30,000)	(1,110)	834,340	790,340	(44,000)	-5.27%
<b>Finance</b>	1,481,380	(6,490)	1,474,890	(37,030)	(72,110)	1,365,750	1,365,750	-	0.00%
<b>Human Resources</b>	697,140	9,510	706,650	(250)	-	706,400	658,400	(48,000)	-6.80%
<b>Information &amp; Communication Technology Services</b>	939,560	52,500	992,060	(9,000)	-	983,060	991,060	8,000	0.81%
<b>Leisure &amp; Cultural Services</b>	1,197,010	51,650	1,248,660	(18,740)	(370)	1,248,290	1,259,290	11,000	0.88%
<b>Policy &amp; Performance</b>	534,680	10,530	545,210	-	-	526,470	526,470	-	0.00%
<b>Property Services</b>	35,010	(43,650)	(8,640)	-	(8,640)	4,661,570	4,682,570	21,000	-11.57%
<b>Streetscene, Neighbourhoods &amp; Environment</b>	4,696,680	35,830	4,732,510	(70,720)	(220)	4,661,570	4,682,570	21,000	0.45%
<b>Budgets Excluded from Finance Unit Monitoring:</b>									
Benefit Payments	(381,050)		(381,050)			(381,050)	(256,050)	125,000	-32.80%
Concessionary Fares	513,250		513,250			513,250	558,440	45,190	8.80%
Pensions Account	212,730		212,730			212,730	212,730	-	0.00%
Stock Transfer Post Ballot	-	1,345,650	1,345,650			1,345,650	1,298,590	(47,060)	-3.50%
<b>Corporate Savings Targets</b>									
Efficiency/Other Savings	(60,000)		(60,000)		80,430	20,430	-	(20,430)	-100.00%
Management of Establishment	(278,050)		(278,050)	268,350		(9,700)	-	9,700	-100.00%
<b>Total Service Expenditure</b>	<b>13,888,960</b>	<b>1,149,370</b>	<b>15,038,330</b>	<b>-</b>	<b>-</b>	<b>15,038,330</b>	<b>15,113,730</b>	<b>75,400</b>	<b>0.5%</b>
<b>Non Service Expenditure</b>									
Contingency Fund	100,000		100,000			100,000	-	(100,000)	0.0%
Contingency - Salary Related Savings	(278,050)	278,050	-			-	-	-	0.0%
Contingency - Procurement Savings	(35,000)	35,000	-			-	-	-	0.0%
Contingency - Gershon Savings	(25,000)	25,000	-			-	-	-	0.0%
Notional Capital Charges	1,168,670	6,360,330	7,529,000			7,529,000	7,529,000	-	0.0%
Revenue Contribution to Capital	-	182,720	182,720			182,720	182,720	-	0.0%
Net Financing Transactions	219,210	40,000	259,210			259,210	296,970	37,760	14.6%
Parish Precepts	535,399		535,399			535,399	535,399	-	0.0%
<b>Total Non Service Expenditure</b>	<b>1,685,229</b>	<b>6,921,100</b>	<b>8,606,329</b>	<b>-</b>	<b>-</b>	<b>8,606,329</b>	<b>8,544,089</b>	<b>(62,240)</b>	<b>-0.7%</b>
<b>Financed By</b>									
Council Tax	(6,495,201)		(6,495,201)			(6,495,201)	(6,495,201)	-	0.0%
Aggregate External Finance	(7,743,127)		(7,743,127)			(7,743,127)	(7,743,127)	-	0.0%
Collection Fund Surplus	(48,561)		(48,561)			(48,561)	(48,561)	-	0.0%
Use of Earmarked Reserves - deferred charges	(1,167,670)	(6,360,330)	(7,528,000)			(7,528,000)	(7,528,000)	-	0.0%
Use of Earmarked Reserves - capital financing	-	(166,670)	(166,670)			(166,670)	(166,670)	-	0.0%
Use of Earmarked Reserves - revenue expenditure	(120,000)	(198,500)	(318,500)			(318,500)	(318,500)	-	0.0%
Use of General Balances - Stock Transfer	-	(1,345,650)	(1,345,650)			(1,345,650)	(1,345,650)	-	0.0%
Contribution to or use of General Balances	370	680	1,050			1,050	-	(1,050)	0.0%
<b>Total Financing</b>	<b>(15,574,189)</b>	<b>(8,070,470)</b>	<b>(23,644,659)</b>	<b>-</b>	<b>-</b>	<b>(23,644,659)</b>	<b>(23,645,709)</b>	<b>(1,050)</b>	<b>0.0%</b>
<b>Net Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,110</b>	<b>12,110</b>	<b>0.08%</b>
<b>General Balances Summary Position</b>									
General Fund Balance at 1.4.06			1,000,000				1,000,000		
Forecast (Over)/Under Spend			-				(12,110)		
<b>Forecast General Fund Balance at 31.3.07</b>			<b>1,000,000</b>				<b>987,890</b>		

**SERVICE LEVEL BUDGET MONITORING 2006/2007****HOUSING REVENUE ACCOUNT****JANUARY 2007**

<b>SURPLUS (-) FOR YEAR AS PER OCTOBER MONITORING REPORT</b>	(381)
<b>BALANCE AS AT 1.4.06</b>	(592)
<b>Add Adjustments for In year cash movements</b>	

Slippage from 2005/2006  
 Virements for other Services  
 Transfer from contingency

Cabinet approved decisions  
 Delegated Authority decisions

<b>ADJUSTED HRA BALANCES EXPECTED at 31.3.07</b>	<b>(973)</b>
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**FORECAST****EXPENDITURE**

R&M budget		
Potential underspend on repair works	(17)	
Provision for increase in DSO deficit	70	
Administration	16	
S&M General		
Staff savings associated with transfer	(97)	
Miscellaneous	40	
Provision for Contact Centre recharge	25	
S&M Special		
Other	(3)	
Right To Buy Administration		
Reduction in costs recoupable from capital receipts	37	
other changes	12	
Subsidy Post audit adjustment of the 2005/6 claim	(28)	
Other	19	
	<hr/>	74

<b>FORECAST BALANCES AS AT 31.3.07</b>	<b>(899)</b>
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**Key Assumptions****Key Issues/Variables**

Accuracy of bad debt provision

**Key Actions**

Control of above